

OPEN MEETING ITEM

COMMISSIONERS
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GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH



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ARIZONA CORPORATION COMMISSION RECEIVED

DATE: JUNE 24, 2014

DOCKET NO.: SW-03437A-13-0292

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AZ CORP COMMISSION
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TO ALL PARTIES:

ORIGINAL

Enclosed please find the recommendation of Administrative Law Judge Sarah Harpring. The recommendation has been filed in the form of an Opinion and Order on:

VERDE SANTA FE WASTEWATER CO., INC.
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

JULY 3, 2014

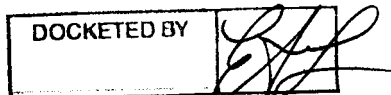
The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

JULY 22, 2014 and JULY 23, 2014

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission
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JUN 24 2014



Jodi A. Jerich
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EXECUTIVE DIRECTOR

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 BOB STUMP - Chairman
4 GARY PIERCE
5 BRENDA BURNS
6 BOB BURNS
7 SUSAN BITTER SMITH

8 IN THE MATTER OF THE APPLICATION OF
9 VERDE SANTA FE WASTEWATER CO., INC.,
10 AN ARIZONA CORPORATION, FOR A
11 DETERMINATION OF THE FAIR VALUE OF ITS
12 UTILITY PLANTS AND PROPERTY AND FOR
13 INCREASES IN ITS WASTEWATER RATES AND
14 CHARGES FOR UTILITY SERVICE BASED
15 THEREON.

DOCKET NO. SW-03437A-13-0292

DECISION NO. _____

OPINION AND ORDER

11 DATE OF HEARING: May 5, 2014
12 PLACE OF HEARING: Phoenix, Arizona
13 ADMINISTRATIVE LAW JUDGE: Sarah Harpring
14 APPEARANCES: Mr. Jay Shapiro, Fennemore Craig, on behalf of Verde
15 Santa Fe Wastewater Co., Inc.; and
16 Ms. Robin Mitchell, Staff Attorney, Legal Division, on
17 behalf of the Utilities Division of the Arizona
18 Corporation Commission.

BY THE COMMISSION:

19 This case concerns a rate application filed with the Arizona Corporation Commission
20 ("Commission") by Verde Santa Fe Wastewater Co., Inc. ("VSF"), a Class C wastewater utility
21 providing service to approximately 950 customers in a master-planned development located in an
22 area of Yavapai County near the City of Cottonwood. While VSF's customers are primarily
23 residential, VSF also serves several commercial customers. VSF disposes of its effluent by selling
24 the effluent to the Verde Santa Fe Golf Club, around which the development was built. Although
25 VSF and the Commission's Utilities Division ("Staff") have not entered into a Settlement Agreement,
26 they have reached agreement regarding all material issues in this matter.

27 ...

28 ...

DISCUSSION**Procedural History**

On August 30, 2013, VSF filed with the Commission an application requesting an order establishing the fair value of its plant and property used to provide wastewater utility services and approving permanent rates and charges designed to produce a fair return thereon. VSF asserted that for the test year ending December 31, 2012 ("TY"), VSF's current rates and charges had produced no return on the fair value of its plant and property devoted to public wastewater utility service. VSF requested an increase in revenues of \$65,213, or 13.60 percent over TY revenues, and asserted that this increase would result in a rate of return of 11.00 percent on its reported \$421,336 fair value rate base.

On September 5, 2013, VSF filed several corrected Schedule H pages.

On September 11, 2013, the Commission's Hearing Division received and docketed an anonymous comment concerning VSF's application.

On September 16, 2013, VSF filed a Notice of Errata correcting a statement on the first page of its application regarding VSF's ownership and correcting a Schedule H page.

On September 27, 2013, Staff issued a Letter of Sufficiency indicating that VSF's application had met the sufficiency requirements outlined in Arizona Administrative Code ("A.A.C.") R14-2-103 and that VSF had been classified as a Class C utility.

On October 10, 2013, a Rate Case Procedural Order was issued establishing a procedural schedule in this matter, including a pre-hearing conference and a hearing to be held at the end of March 2014.

On November 5, 2013, VSF and Staff filed a Stipulated Request to Modify Procedural Schedule, asking for the pre-hearing conference and hearing to be scheduled approximately one month later.

On November 7, 2013, by Procedural Order, the Stipulated Request was granted, with the pre-hearing conference scheduled for April 29, 2014, and the hearing scheduled to commence on May 5, 2014. The March 31, 2014, hearing date was retained for public comment, pending a filing to be made by VSF concerning whether public notice of that hearing date had been provided.

1 On November 19, 2013, VSF filed a Request to Vacate and Reset March 31, 2014, Public
2 Comment Session, clarifying that VSF had not provided public notice of that hearing date.

3 On November 20, 2013, a Procedural Order was issued vacating the public comment session
4 scheduled for March 31, 2014.

5 On January 2, 2014, VSF filed a Certification of Publication and Proof of Mailing, stating that
6 notice had been mailed to VSF's customers on December 16, 2013, and published in the *Sedona Red*
7 *Rock News* on December 13, 2013.

8 On January 22, 2014, VSF filed an Affidavit of Publication showing that notice had been
9 published in the *Sedona Red Rock News* on December 13, 2013.

10 On February 24, 2014, Staff filed its Direct Testimony.

11 On March 13, 2014, the Company filed its Rebuttal Testimony.

12 On April 14, 2014, Staff filed its Surrebuttal Testimony.

13 On April 23, 2014, VSF filed a Notice Regarding Rejoinder Testimony, stating that VSF was
14 in agreement with Staff as to all components necessary to set new rates and that VSF did not have
15 anything to address in rejoinder testimony.

16 On April 29, 2014, the pre-hearing conference was held as scheduled at the Commission's
17 offices in Phoenix, Arizona, with VSF and Staff appearing through counsel. VSF and Staff were
18 directed to ensure certain issues were addressed at hearing.

19 On May 2, 2014, Staff filed a Staff Response, addressing issues raised at the pre-hearing
20 conference.

21 On May 5, 2014, a full evidentiary hearing in this matter was held before a duly authorized
22 Administrative Law Judge of the Commission, at the Commission's offices in Phoenix, with VSF and
23 Staff appearing through counsel. VSF presented documentary evidence and the testimony of Jason
24 Williamson, President and a shareholder of Pivotal Utility Management ("Pivotal"), the contracted
25 management company for VSF, and a Director and shareholder of VSF. VSF also provided the
26 testimony of Thomas A. Bourassa, CPA, with whom VSF contracted for assistance with its rate case.
27 Staff presented documentary evidence and the testimony of Crystal Brown, Public Utilities Analyst
28

V; John Cassidy, Public Utilities Analyst III; and Katrin Stukov, Staff Utilities Engineer. No members of the public appeared to provide comment.

On May 9, 2014, VSF made a Post-Hearing Filing, providing information to clarify testimony at hearing and including proposed tariff language jointly developed with Staff concerning the collection process used by VSF for delinquent customer accounts.

Background

VSF is a Class C wastewater utility providing service in an area of approximately 0.7 square miles near the City of Cottonwood in Yavapai County. (Ex. A-1 at 2; Tr. at 18; Ex. S-1 at ex. KS at 2.) VSF received its Certificate of Convenience and Necessity ("CC&N") in Decision No. 60779 (April 8, 1998),¹ the same Decision in which its current rates were established. This is VSF's first rate case.

VSF, an Arizona C Corporation,² is owned by three individuals—Mr. Williamson, John Clingman, and Dwight Zemp—all of whom also share ownership of Pivotal, although with different percentages of ownership interest. (Tr. at 13, 30-31.) VSF has no employees and contracts with Pivotal for management and administrative services³ and with A Quality Water Company for operations services. (Ex. S-4 at 6.) Mr. Williamson oversees the day-to-day operations and business management functions for Pivotal and, thus, effectively for VSF. (See Ex. A-1 at 1.)

VSF's service area consists of a master-planned development that was built around the Verde Santa Fe Golf Club ("Golf Club"). (Tr. at 18.) At the end of the TY, VSF was serving approximately 950 customers, including several commercial customers. (Ex. A-1 at 2.) The Golf Club is VSF's only effluent customer and purchases all of VSF's effluent for reuse on its golf course. (Ex. S-1 at 5; Tr. at 18.) VSF's effluent is treated to Class B+ and is pumped into storage ponds on the golf course. (Ex. S-1 at ex. KS at 5; Tr. at 17.) This is the manner in which VSF's system is designed to dispose of its effluent. (Ex. S-1 at ex. KS at 5; Tr. at 17.) VSF's owners have no affiliation with the Golf Club, directly or through other entities. (See Tr. at 14-15.)

¹ Official notice is taken of this Decision.

² Official Notice is taken of VSF's 2013 Utility Division Annual Report filed with the Utilities Division on April 21, 2014, and available on the Commission's website.

³ VSF also leases a variety of equipment from Pivotal. (Ex. S-4 at 9.)

1 VSF's wastewater treatment system includes a Santec 100,000 gallon per day ("GPD")
2 wastewater treatment plant, a 40,000 gallon flow equalization basin, grit and solid removal, sludge
3 treatment and handling, disinfection, influent lift stations, and effluent lift stations. (Ex. S-1 at ex.
4 KS at 5.) VSF's collection system includes gravity and force mains along with two lift stations. (*Id.*)

5 VSF anticipates minimal future growth in its service area, as the certificated service area has
6 little additional land to be developed. (Ex. S-1 at ex. KS at 9.) Staff determined that VSF's system
7 has adequate capacity to serve its present customer base and reasonable growth. (Ex. S-1 at ex. KS at
8 8.)

9 On November 8, 2013, the Arizona Department of Environmental Quality ("ADEQ") reported
10 that the compliance status for VSF's wastewater treatment plant is such that ADEQ will not take any
11 action or issue a Notice of Opportunity to Correct or a Notice of Violation. (Ex. S-2; Ex. S-1 at ex.
12 KS at 9.) Ms. Stukov explained that this means ADEQ considers VSF to have only minor technical
13 violations and no violations of major or safety-related requirements. (Tr. at 83.) Staff made no
14 ADEQ-compliance-related recommendations for VSF in this matter. (Tr. at 83.)

15 Staff's Consumer Services Section reported that from January 1, 2011, to February 10, 2014,
16 the Commission received no complaints regarding VSF, although the Commission received one
17 opinion in opposition to VSF's rate application in 2013. (Ex. S-4 at 3.)

18 Staff also reported that VSF has no outstanding Commission compliance issues. (Ex. S-1 at
19 ex. KS at 9.)

20 Ratemaking

21 a. Application

22 In its application, VSF reported adjusted TY revenues of \$479,551 and TY total operating
23 expenses of \$483,501, for an operating loss of \$3,950 and no return on VSF's reported original cost
24 rate base ("OCRB") of \$421,336, which VSF requested to have used as its fair value rate base
25 ("FVRB"). (Ex. A-6 at 5, Sched. A-1, Sched. C-1; Ex. S-4 at Sched. CSB-1, Sched. CSB-5.) VSF
26 requested to have rates established using a rate of return of approximately 11.0 percent on VSF's
27 reported OCRB, for a revenue increase of \$65,213 and total operating revenues of \$544,764,
28

1 representing an increase of approximately 13.6 percent over adjusted TY revenues. (Ex. A-6 at
2 Sched. A-1.)

3 b. TY Revenues and Rate Base

4 On surrebuttal, Staff agreed with and made no adjustments to either VSF's adjusted TY
5 revenues or VSF's reported OCRB. (Ex. S-4 at 4-5, Sched. CSB-1, Sched. CSB-3, Sched. CSB-5.)
6 Staff recommended that VSF's OCRB be used as its FVRB. (Ex. S-4 at 4-5, Sched. CSB-1, Sched.
7 CSB-3.)

8 It is just and reasonable to adopt the adjusted TY revenues agreed upon by the parties. It is
9 also just and reasonable to use the OCRB agreed upon by the parties as VSF's FVRB.

10 c. Cost of Capital

11 VSF based its requested rate of return upon cost of capital analyses performed by Mr.
12 Bourassa using a proxy group of six publicly traded water utilities;⁴ VSF's capital structure of 100
13 percent equity; and three different models for estimating cost of equity ("COE")—the discounted
14 cash flow ("DCF") constant growth model, the capital asset pricing model ("CAPM"), and a risk
15 premium build-up method ("build-up method"). (Ex. A-7 at 2-3.) Mr. Bourassa obtained median
16 COE estimates of 8.5 percent using the DCF model, of 9.6 percent using the CAPM, and of 11.7
17 percent using the build-up method, from which he formulated a recommended COE of 11.0 percent
18 after upwardly adjusting the midpoint estimate of 10.1 percent for what he believed to be various
19 VSF-specific risks and expected economic conditions. (See Ex. A-7 at 3-4, Sched. D-4.1, Sched. D-
20 4.8, Sched. D-4.12, Sched. D-4.18.)

21 Staff based its recommended rate of return on cost of capital analyses performed by Mr.
22 Cassidy using a proxy group of seven publicly traded water utilities;⁵ VSF's capital structure of 100
23 percent equity; and two variations of the DCF model—the constant-growth DCF model and the
24 multi-stage DCF model. (Ex. S-3 at 13-14.) Mr. Cassidy did not include a CAPM analysis in his
25 testimony because Staff recommends de-emphasis of CAPM results due to the continuing disparity
26

27 ⁴ The proxy group included American States Water, Aqua America, California Water Company, Connecticut Water,
28 Middlesex Water, and SJW Corp. (Ex. A-7 at 3.)

⁵ The proxy group included the six utilities used by Mr. Bourassa plus York Water. (See Ex. S-3 at 14.)

1 between COE estimates derived using the CAPM and those derived using the DCF models,⁶
2 something that Mr. Cassidy attributed to the Federal Reserve's intentional engineering of a low-
3 interest rate environment to spur recovery from the economic recession of 2008. (Ex. S-3 at 3-4.)
4 Mr. Cassidy obtained a COE estimate of 8.6 percent using the constant-growth DCF model and of 9.4
5 percent using the multi-stage DCF model, from which he formulated an overall DCF estimate of 9.0
6 percent. (Ex. S-3 at 25-28, Sched. JAC-3, Sched. JAC-9.) Staff recommended a rate of return of 9.6
7 percent for VSF after applying a 60-basis-point upward economic assessment adjustment to Staff's
8 overall DCF estimate. (Ex. S-3 at 30.) Mr. Cassidy testified that Staff's upward economic
9 assessment adjustment is intended to address risk that results from the current economic environment,
10 due to the low-interest-rate environment engineered by the Federal Reserve for an extended period of
11 time and very high equity valuations, circumstances that are not reflected through strict use of the
12 DCF method and the CAPM. (*See* Tr. at 92.)

13 Mr. Cassidy asserted that Mr. Bourassa's constant growth DCF analyses relied too heavily on
14 analysts' forecasts of earnings per share ("EPS") growth rates and did not give adequate
15 consideration to historical measures of past growth, including dividends per share. (Ex. S-3 at 32-
16 37.) Mr. Cassidy also asserted that the six-month *Value Line* data set used by Mr. Bourassa to
17 determine the market risk premium component for his CAPM analyses resulted in overstated results
18 not reflective of current market conditions. (Ex. S-3 at 38-39.) Finally, Staff criticized Mr.
19 Bourassa's upward adjustment for financial risk, asserting both that VSF's 100-percent equity capital
20 structure means that it is not exposed to financial risk and that empirical research has established that
21 a small company risk premium adjustment is unwarranted for a regulated utility. (Ex. S-3 at 39-40.)

22 On rebuttal, VSF adopted Staff's recommended return on equity of 9.6 percent and rate of
23 return on rate base of 9.6 percent, both of which reflect VSF's 100-percent-equity capital structure.
24 (Ex. A-8 at 4.) Mr. Bourassa stated that VSF adopted Staff's recommendations to eliminate issues
25 between the parties. (*Id.*)

26
27
28 ⁶ Mr. Cassidy characterized current CAPM COE estimates as "abnormally low." (Ex. S-3 at 4.)

1 The parties' recommended return on equity and rate of return of 9.6 percent are just and
 2 reasonable, are supported by the evidence, and should be adopted. Additionally, we will use VSF's
 3 capital structure of 100 percent equity in adopting rates herein.

4 d. Operating Expenses

5 In its direct testimony, Staff recommended several adjustments to VSF's TY operating
 6 expenses, resulting in TY operating expenses of \$459,007 and an operating income of \$20,544. (Ex.
 7 S-4 at 5.) Specifically, Staff recommended a reduction of \$18,529 in salaries and wages, a reduction
 8 of \$11,256 in rents, and adjustments to property taxes and income taxes to make them consistent with
 9 Staff's calculations and Staff's adjusted TY operating income. (Ex. S-4 at 4-13, Sched. CSB-5
 10 through Sched. CSB-10.) Staff further recommended that VSF be authorized a revenue requirement
 11 of \$504,951, representing an increase of \$25,400, and approximately 5.30 percent, over adjusted TY
 12 revenue. (Ex. S-4 at Sched. CSB-1.)

13 Staff's reduction in salaries and wages expense was made because the salaries and wages
 14 expense, which consisted of stipends paid to the three directors of VSF, was not supported by time
 15 sheets and was considered by Staff to be excessive. (Ex. S-4 at 6.) Staff pointed out that because
 16 VSF has no employees and contracts with businesses that specialize in the management and operation
 17 of water and wastewater utilities, the directors would not need to provide a great deal of oversight.
 18 (*Id.* at 6-7.) Staff recommended a reduced amount of salaries and wages expense, \$13,154, which
 19 was determined using an hourly rate based upon an annual director salary of \$95,000 and an estimate
 20 that each director would spend approximately 8 hours per month overseeing VSF. (*Id.* at 7-8.)

21 Staff's reduction for rent expense was made because Staff determined that the annual expense
 22 of \$31,055 paid by VSF to Pivotal to lease \$250,000 worth of equipment from Pivotal⁷ exceeded the
 23 amount that VSF would have spent to purchase the same equipment using a 20-year, \$250,000
 24 amortizing loan with a five-percent interest rate. (Ex. S-4 at 10.) Staff calculated the estimated
 25 annual expense for such a loan as \$19,799. (*Id.*) Staff added that the loan arrangement would also

26 _____
 27 ⁷ VSF reported that it leased from Pivotal the following equipment, collectively valued at \$250,000:
 28 A horizontal cylindrical fiberglass sludge holding tank, a vertical cylindrical chlorine contact tank, an Olympian D150PL
 150kW standby generator with transfer switch, an inline Franklin Miller SS6000 comminutor, two horizontal cylindrical
 fiberglass anoxic holding tanks, and two horizontal cylindrical fiberglass aeration tanks. (Ex. S-4 at 9.)

1 result in ownership of the equipment at the end of the loan term, without an additional outlay of
 2 funds, whereas the lease arrangement would not result in ownership without payment of an additional
 3 acquisition fee. (*Id.*) Staff recommended that VSF be permitted to recover only the \$19,799 annual
 4 cost estimated for an assumed 20-year loan. (*Id.* at 12.) Staff further recommended that VSF be
 5 required to develop a plan that would result in the transfer of the leased plant from Pivotal to VSF,
 6 which plan was to be subject to Staff approval and filed in this docket within 90 days after the
 7 effective date of the Decision in this matter. (*Id.*) Staff subsequently made a filing, on May 2, 2014,
 8 describing in more detail Staff's recommendation for transfer of ownership of the leased property
 9 from Pivotal to VSF. (Ex. S-6.) In that filing, Staff stated the following:

10 Staff contemplates that Pivotal would issue a note receivable to Verde
 11 Santa Fe in the amount of \$168,750 for the book value of the plant
 12 (\$250,000 original cost - \$81,250 accumulated depreciation for 6.5
 years).¹ The term of the note receivable would be 14 years (the remaining
 life of the plant at the end of the test year) with a 5% interest rate.

13 Since the \$168,750 note receivable would represent a long-term debt
 14 financial obligation for Verde Santa Fe, Commission authorization would
 15 be necessary. The financing application for the note receivable would be
 filed within 90 days of the date of Decision resulting from this matter.
 Further, Staff contemplates being able to review source documents in
 support of the \$250,000 in plant.

16 Staff's considerations in approval of the plan would be similar to a review
 17 of any other financing application.

18 Staff would make a filing in the docket upon the completion of its review.

19 ¹ The NARUC Guidelines for cost allocations and Affiliate Transactions states that the
 20 transfer price of assets from an unregulated affiliate to a regulated utility should be the
 lower of the prevailing market price or net book value.

21 At hearing, Mr. Williamson testified that VSF does not object to Staff's description of how
 22 the recommended transfer of equipment should be carried out. (Tr. at 46.) VSF also provided a copy
 23 of the lease agreement executed by Mr. Williamson for both Pivotal and VSF in June 2005, along
 24 with the UCC Financing Statement filed with the Secretary of State to provide notice of the lease.⁸
 25 (See Ex. A-5.)

26 ⁸ The Financing Statement identifies the lease as a "true lease" and, in an Addendum, identifies the real property where
 27 the fixtures that are the subject of the lease are located. (See Ex. A-5.) The lease arrangement was intentionally
 28 structured as an operating lease so that there would not be a requirement for Commission approval of the lease, with the
 delay and expense that could cause. (Tr. at 32-33; See Ex. A-5.) Both VSF and Staff were required to analyze whether

1 On rebuttal, VSF accepted all of Staff's adjustments to TY operating expenses. (Ex. A-2 at 1-
2 2; Ex. A-8 at 3-4, Sched. C-1.) However, VSF also newly requested a pro forma adjustment to
3 increase sludge removal expenses by \$12,079, to make TY expenses consistent with the significantly
4 increased sludge removal expenses incurred post-TY in 2013. (Ex. A-2 at 1-2; Ex. A-8 at 3-4, Sched.
5 C-1.) VSF incurred much higher sludge removal costs in 2013 because the Golf Club completed the
6 first full maintenance of its ponds at the end of that year, revealing an accumulation of sludge⁹ at the
7 bottom of the storage ponds. (Tr. at 47.) VSF incurred significant expense to remove the
8 accumulated sludge, which VSF attributed to the existing system's inability to handle the full amount
9 of sludge in the system as flows from the development increased over time. (Tr. at 47-48.) To
10 address sludge accumulation going forward, VSF increased the capacity of its main sludge processing
11 feature, which is a bagging system that allows VSF to process more solids more quickly. (Tr. at 47.)
12 Mr. Williamson asserted that the increase in the sludge bagging capacity, completed in 2013, will
13 prevent sludge accumulation in the ponds to the degree that was discovered.¹⁰ (Tr. at 47-48.)

14 On surrebuttal, Staff agreed that VSF should be permitted to recover an additional \$12,079 in
15 sludge removal expenses, as it represents a known and measurable change. (Ex. S-5 at 2-3, Sched.
16 CSB-1, Sched. CSB-5.) Staff adjusted its figures accordingly, thereby eliminating any differences in
17 the parties' positions.

18 The adjusted operating expenses upon which VSF and Staff have agreed are just and
19 reasonable and supported by the evidence herein and should be adopted. In addition, Staff's
20 recommended plan for VSF to accomplish transfer of the property that VSF has been leasing from
21 Pivotal is just and reasonable and should be approved.

22 the lease should be classified as a capital lease rather than an operating lease, and both concluded through their analyses
23 that the lease is appropriately classified as an operating lease, for which Commission approval is not required. (See Ex. S-
24 6; Ex. A-9; Tr. at 58, 106.) Both VSF and Staff also determined that if the lease were treated as a capital lease, it would
25 result in an increased revenue requirement. (See Tr. at 62-63; Ex. S-6.) Mr. Williamson testified that the lease
arrangement was created because VSF needed to increase its plant capacity very rapidly due to growth and lacked the
resources to do so independently. (Tr. at 31-32.)

26 ⁹ Sludge is the biomaterial removed from the waste flow before effluent is created. (Tr. at 48.) The sludge is treated
through digestion and rendered safe for disposal in a setting such as a landfill, with the safety of the sludge determined
before disposal through laboratory testing. (Tr. at 48.) Mr. Williamson testified that he was not aware of any hazard
presented by the accumulation of sludge in the storage ponds. (Tr. at 49.)

27 ¹⁰ Ms. Stukov testified that the sludge accumulation in the Golf Club's storage ponds was normal under the
28 circumstances, considering that VSF had experienced an increase in flows, and further that it was not a direct or indirect
hazard because it had been treated. (Tr. at 85-86.)

e. Revenue Requirement

The parties now agree to the following:¹¹

OCRB/FVRB	\$421,336
TY Adjusted Operating Income	\$10,944
TY Rate of Return	2.60%
Required Rate of Return	9.60%
Required Operating Income	\$40,448
Operating Income Deficiency	\$29,504
Gross Revenue Conversion Factor	1.2761
Required Revenue Increase	\$37,651
Adjusted TY Revenue	\$479,551
Revenue Requirement	\$517,202
Required Increase in Revenue	7.85%

The \$517,202 annual revenue requirement, upon which VSF and Staff have agreed, is just and reasonable and should be approved.

f. Rate Design

VSF's presently authorized rates and charges, and the proposed rates and charges upon which the parties now agree, are as follows:¹²

<u>Flat Rate Monthly Service Charge</u>	<u>Present</u>	<u>VSF & Staff Proposed</u>
Residential	\$40.00	\$43.24
Commercial	\$40.00 x SFE ¹	\$43.24 x SFE ³
<u>Effluent Sales</u>		
Charge per 1,000 gallons	\$2.00	\$0.23
<u>Service Line Connection Charge</u>		
All	NT	Cost
<u>Service Charges</u>		
Establishment	\$25.00	\$25.00
Reconnection (Delinquent)	\$30.00	Cost ⁴
Deposit	2 x Flat Rate ²	Per Rule**
Deposit Interest (Annual Effective Rate)	3.50%	3.50%
Reestablishment (within 12 months)	*	Per Rule*

¹¹ See Ex. A-8 at Sched. A-1, Sched. C-1; Ex. S-5 at Sched. CSB-1.

¹² See Ex. A-8 at 5; Ex. S-5 at Sched. CSB-12; Decision No. 60779. Initially, VSF had requested authorization to increase its flat monthly usage charge by 14.20 percent, from \$40.00 to \$45.68. (Ex. A-6 at Sched. H-3; Ex. A-3.)

Deferred Payment (per month)	NT	1.50%
Late Payment Penalty (per month)***	1.50%	1.50%
NSF Check	\$25.00	\$25.00
After Hours Service Charge (At the Customer's Request)	NT	\$35.00

1 If a commercial flat rate is necessary, it will be calculated for each commercial
2 customer by dividing the expected design daily sewer flow rate (as prescribed by Ten
3 States Standards) by one SFE (single family equivalent). One SFE will equal 262
4 gallons per day (the approved design flow rate per single family unit by ADEQ). The
5 resulting factor will be multiplied by the approved residential flat rate to get the
6 commercial monthly flat rate.

7
8 2 VSF will estimate the monthly flow from each new commercial customer based on the
9 design flow rates prescribed by the Ten States Standards. The deposit will then be
10 calculated by taking the monthly flow rate to determine the sewer rate, then
11 multiplying this rate times 2.5.

12 3 One SFE is defined as 10 fixtures (sinks and/or toilets and/or showers, etc.). The SFE
13 for a commercial customer will be equal to the number of fixtures divided by 10. If
14 the computed SFE is less than 1.0, the factor will be 1.0, which provides that a
15 commercial customer pays no less than a residential customer.

16 4 Actual cost of physical disconnection and reconnection (if same customer) and there
17 shall be no charge if there is no physical work performed.

18 * Number of months off the system times the monthly minimum

19 ** Per Commission Rule R14-2-603(B)(7) and R14-2-603(B)(3)

20 *** Late Payment charge based upon balance owing at the end of the billing cycle which is
21 added to next bill

22 NT = No Tariff

23 i. Service Lateral Installation Charges

24 VSF currently does not have a tariff for service lateral installation costs and has requested
25 approval to charge customers at cost for service lateral installation. (Ex. S-1 at ex. KS at 11.) Staff
26 recommends approval of VSF's requested at-cost tariff for service lateral installation charges, as
27 reflected above. (*See id.*)

28 ii. Effluent Disposal & Sales

The rate-design-related testimony at hearing primarily concerned the substantial reduction
proposed for the price of effluent, a reduction of 88.5 percent. The Golf Club is currently VSF's only
effluent customer, and VSF disposes of all of its effluent by selling it to the Golf Club. (Tr. at 17-
18.) Mr. Williamson testified that the Golf Club is a big part of the community, as the subdivision

1 comprising the service area was built around it, and the Golf Club is critical to VSF's operations.
2 (Tr. at 18.) In addition to being VSF's only effluent customer, the Golf Club is a wastewater service
3 customer, with a separate account for the clubhouse and maintenance facility.¹³ (Tr. at 18-19.)

4 Since approximately 2004-2005, when the Golf Club was acquired by its current owner, the
5 Golf Club has been paying only \$0.23 per thousand gallons for effluent, although the current tariffed
6 rate is \$2.00 per thousand gallons. (Tr. at 19-20.) The Golf Club has its own well and informed VSF
7 that it is only willing to pay \$0.23 per thousand gallons because that is the expense the Golf Club
8 incurs to pump its own well water into its water irrigation system. (Tr. at 20.) VSF's past attempts at
9 negotiation with the Golf Club, either to obtain compliance with the tariffed rate or gain acceptance
10 of a compromise rate for which VSF would seek Commission approval,¹⁴ have been unsuccessful and
11 only "inflamed" the situation, according to Mr. Williamson. (Tr. at 20-21, 49.) For a time, VSF
12 billed the Golf Club at the \$0.23 rate, but Mr. Williamson testified that this was done in error and was
13 stopped. (Tr. at 21-22.) The accumulated arrearages for the Golf Club's effluent purchases since
14 2005, which VSF has essentially been writing off as bad debt, exceed \$425,000. (See Tr. at 24.) Mr.
15 Williamson does not believe that the Golf Club has caused higher rates for VSF's other customers,
16 however, because the Golf Club would refuse to take VSF's effluent altogether if it were required to
17 pay the \$2.00 tariffed rate, and that would create a need for an alternate disposal method, with
18 substantial associated costs. (See Tr. at 25.) VSF cannot force the Golf Club to take VSF's effluent.
19 (Tr. at 23-24.)

20 VSF believes that the sale of its effluent to the Golf Club is in the public interest because,
21 otherwise, VSF would need to build the facilities necessary for direct discharge, surface water
22 impoundment, or direct well injection and would also need to obtain ADEQ approval of those
23 facilities. (Tr. at 22-23.) VSF would also lose the revenue collected from effluent sales.¹⁵ (See Tr. at
24 25; Ex. A-8 at Sched. A-1.) When VSF investigated alternatives for selling its effluent to the Golf
25

¹³ The Golf Club pays its wastewater service bill in full and on time. (Tr. at 19.)

¹⁴ In approximately October 2009, VSF filed a request with the Commission to have the tariffed price for effluent sales changed, but no change was approved by the Commission. (Tr. at 21-22.) VSF also filed with the Commission a plan for effluent disposal alternatives, but the Commission never issued a Decision requiring VSF to implement such a plan. (Tr. at 22.)

¹⁵ This was \$7,527 in the TY but would have been \$65,453 had the tariffed rate been paid. (See Ex. A-8 at Sched. A-1.)

1 Club, it determined that there was not another customer for its effluent, that there was not a direct
2 discharge location within a reasonable distance from its facility, and that direct well injection
3 facilities would cost approximately \$250,000 to construct. (Tr. at 26-27.) VSF does not currently
4 consider it a good financial decision to pursue either direct well injection or another alternative
5 disposal method.¹⁶ (See Tr. at 27-28.) Based on the past 15 years, Mr. Williamson does not believe
6 that the Golf Club will, in the future, refuse to accept VSF's effluent, particularly if VSF obtains a
7 tariff price for effluent set at the level that the Golf Club is willing to pay.¹⁷ (Tr. at 38.) Mr.
8 Williamson believes that the Golf Club has a "mutual beneficial interest in continuing to use the
9 effluent" because it is a "good story," and the public would likely be very upset upon learning that the
10 Golf Club had refused to take effluent and that the refusal would result in higher rates for VSF
11 customers. (Tr. at 40.) A refusal would also result in the Golf Club's using a different water source
12 for irrigation, most likely ground water from its own well, which would be counterproductive from a
13 conservation perspective. (See Tr. at 23.)

14 ADEQ did not raise an issue about VSF's effluent disposal plan when VSF obtained its
15 aquifer protection permit, and the parties are not aware of any ADEQ requirement for an alternative
16 disposal plan for effluent. (Tr. at 39-40, 84.) Ms. Stukov agreed with Mr. Williamson's description
17 of the actions that would be needed if the Golf Club were to refuse to take VSF's effluent in the
18 future. (Tr. at 84-85.) Ms. Stukov also stated that although she is aware of other utilities that rely
19 upon such arrangements for effluent disposal, she is unaware of any situations in which a wastewater
20 utility has had a third-party entity refuse to accept its effluent. (Tr. at 84-85.)

21 Mr. Bourassa likened the proposed \$0.23 effluent rate to an "at market" rate and testified that
22 the Commission has previously authorized a sewer provider to charge an effluent price "at market,"

23 ¹⁶ If the Commission were to require VSF to construct direct well injection facilities, VSF would construct them and
24 then file an application for a rate increase to recover the costs. (Tr. at 28.) Mr. Williamson believes that rates would need
to be increased if the Golf Club were to cease purchasing VSF's effluent. (Tr. at 25.)

25 ¹⁷ If the Golf Club were to refuse to accept VSF's effluent in the future, VSF would refer to the study on alternative
26 disposal methods previously completed and would likely make an emergency filing with the Commission requesting
27 approval of financing to go forward with construction of a direct injection well. (Tr. at 38.) VSF would also need to get
ADEQ involved. (Tr. at 39.) If VSF were unable to dispose of its effluent with the Golf Club pending completion of the
28 direct injection well, VSF would need to vault the effluent and haul it away for disposal at an alternative site, which
would necessitate construction of an on-site basin of some kind, the hiring of trucks for hauling, and payment for the new
disposal site arrangement, something that Mr. Williamson described as "possible . . . [but] extremely expensive." (Tr. at
39.)

1 meaning that the price is set at what customers are willing to pay for the product. (See Tr. at 63.)
2 Mr. Bourassa was not aware of any situations in which “at market” had resulted either in no payment
3 to the utility or payment by the utility to the customer. (Tr. at 64.)

4 The Golf Club has refused to pay the tariffed rate for effluent for approximately the past 8
5 years. We are cognizant that reducing the effluent rate to the rate the Golf Club established for itself
6 could be perceived as rewarding the Golf Club for this extremely regrettable behavior. We also
7 understand, however, that VSF has made a cost-benefit analysis to determine the best manner in
8 which to resolve this dispute. The evidence provided herein supports VSF’s conclusion, shared by
9 Staff, that ratepayers and the public interest will be best served by approving the proposed effluent
10 rate. Thus, we will approve the \$0.23 effluent rate. We will also, however, require VSF to make a
11 filing in this docket notifying the Commission if the Golf Club in the future determines that it desires
12 to establish yet a different effluent rate by refusing to pay the full \$0.23 per thousand gallon rate that
13 is being approved herein. We will also require Staff to perform an analysis of any such filing to
14 determine the course of action that will best serve VSF, VSF’s ratepayers, and the public interest and
15 to file a Staff Report setting forth both Staff’s analysis and its recommendations for a course of action
16 to be taken by VSF and the Commission.

17 g. Use of Liens

18 For a wastewater utility, the optimal means to encourage customers to pay their overdue bills
19 is through a cooperative agreement with the local water provider, under which the water provider
20 discontinues water service to a customer for failure to pay the sewer bill. (See Tr. at 105-06.)
21 Although VSF has attempted to obtain such an agreement with the City of Cottonwood (“City”), the
22 water provider for its service area, VSF has been unable to do so. (Tr. at 35.) The Commission’s
23 rules authorize physical disconnection of a customer’s sewer service for nonpayment, but VSF
24 considers the disconnection process to be prohibitively expensive.¹⁸ (Tr. at 29.) Additionally,

25 ¹⁸ Disconnecting a sewer line involves hiring a contractor to dig up the line; arranging traffic control with the county to
26 accommodate the trenching work; and, if the customer subsequently pays the arrearages, going through a similar process
27 and expense to reconnect the customer’s service. (Tr. at 30.) According to Mr. Williamson, VSF would be unable to
28 recover the expenses incident to disconnection or reconnection. (*Id.*) No company managed by Mr. Williamson has ever
completed a physical disconnection. (Tr. at 36.) A utility affiliated with VSF came very close to disconnecting a
customer’s sewer line within the past year, but was able to work out an arrangement with the customer on site while the
contractor was present to complete the work. (Tr. at 35-36.)

1 because disconnection of a customer's sewer line while the customer continues to receive water
 2 service could create a health hazard, if VSF were to disconnect a customer's sewer line, the county
 3 health department would need to be involved, and the customer would likely be required to vacate the
 4 house. (Tr. at 35.)

5 Because of the difficulties and costs associated with disconnection, VSF's practice is to file a
 6 utility lien with the county when a customer's account becomes "seriously delinquent" through
 7 nonpayment for five to six months.¹⁹ (Tr. at 29.) The customer's property then remains subject to
 8 the lien until full payment is made, either voluntarily by the customer or at the time the property next
 9 changes hands. (Tr. at 29.) Mr. Williamson described the lien process as a "lengthy . . . somewhat
 10 effective means of collecting past sewer fees." (Tr. at 29.) VSF's tariffs do not currently include any
 11 language related to the lien process, because VSF has viewed it simply as a means of collecting on
 12 debts under the law²⁰ and an alternative to pursuing collection through small claims court. (Tr. at
 13 51.) VSF does not object to addressing the use of liens in its tariffs, however, and VSF and Staff
 14 have agreed upon the following tariff language to provide VSF's customers notice of VSF's practice
 15 of using liens for collection:²¹

16 The Company is authorized pursuant to AAC R14-2-410.C to disconnect
 17 customers for non-payment. However, in some instances disconnection is
 18 not physically practical, and in most cases, disconnection is prohibitively
 19 expensive. As a consequence, the Company may choose to pursue
 20 collection of delinquencies by using other means of collection, including,
 but not limited to, the recording of a utility lien on the customer's
 premises as authorized under Title 33 of the Arizona Revised Statutes
 and/or any other means available to the Company under law to collect a
 debt.²²

21 Because VSF has been unable to obtain a cooperative agreement with the City to make it
 22 easier for VSF to encourage timely payments by its customers, VSF's use of utility liens to attempt
 23 collection is reasonable and appropriate. The public interest is served if VSF pursues collection

24 ¹⁹ Ms. Brown was not aware of any other utility that sends accounts to collections or places liens on customer's homes.
 25 (Tr. at 105.)

26 ²⁰ Ms. Brown testified that Staff had analyzed the use of liens by VSF and determined that VSF's use of liens is not
 inconsistent with Commission statutes and rules and does not require Commission approval. (Tr. at 104-05.)
 27 Additionally, Ms. Brown stated that although VSF would be permitted to use the lien process regardless of whether it was
 noticed in their tariffs, it would be prudent for VSF to provide notice of the lien process in the terms and conditions in its
 tariffs. (Tr. at 105.)

28 ²¹ See Tr. at 108, 110.

²² Post-Hearing Filing, May 9, 2014.

without incurring the prohibitive expenses and causing the disruptions and potential health hazards that could result from physical disconnection of a customer's sewer line. The language jointly created by VSF and Staff will provide VSF's customers and the public notice of VSF's potential use of the lien process, and we will approve its use in VSF's tariffs.

h. Resolution

The rates and charges and terms and conditions of service agreed upon by VSF and Staff, as set forth above, are just and reasonable and in the public interest and should be adopted. Additionally, the requirements to be imposed on VSF, as described above, are just and reasonable and in the public interest and should be adopted.

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. VSF's present rates and charges for utility service were approved by the Commission in Decision No. 60779 (April 8, 1998), the Decision in which VSF was granted its CC&N.

2. On August 30, 2013, VSF filed with the Commission an application requesting an Order establishing the fair value of its plant and property used to provide wastewater utility services and approving permanent rates and charges designed to provide a fair return thereon.

3. The remaining procedural history for this matter is as described in the Discussion section herein and included a full evidentiary hearing held on May 5, 2014, before a duly authorized Administrative Law Judge of the Commission, at the Commission's offices in Phoenix.

4. No requests for intervention were filed in this matter, and the Commission received only one public comment regarding this matter.

5. VSF is an Arizona C Corporation and a Class C wastewater utility providing service in an area of approximately 0.7 square miles near the City of Cottonwood in Yavapai County.

6. During the 2012 TY, VSF provided service to approximately 950 customers, including several commercial customers.

7. VSF disposes of its effluent by selling it to the Golf Club. Although the tariffed rate

established in Decision No. 60779 is \$2.00 per thousand gallons, the Golf Club has refused to pay more than \$0.23 per thousand gallons for approximately the past 8 years.

8. VSF is not affiliated with the Golf Club either directly or through its shareholders, directors, and officers.

9. VSF's FVRB is \$421,336.

10. VSF had the following TY revenues, operating expenses, and operating income:

Adjusted TY Revenues	\$479,551
Adjusted TY Operating Expenses	\$468,607
Adjusted TY Operating Income	\$10,944

11. It is just and reasonable to establish VSF's rates using its actual capital structure of 100 percent equity.

12. VSF's Fair Value Rate of Return is 9.60 percent.

13. We find that the following figures, agreed upon by VSF and Staff are just and reasonable, and we adopt them:

Required Operating Income	\$40,448
Operating Income Deficiency	\$29,504
Gross Revenue Conversion Factor	1.2761
Required Revenue Increase	\$37,651
Revenue Requirement	\$517,202
Required Increase in Revenue	7.85%

14. It is just and reasonable and in the public interest to adopt the following rates and charges and terms and conditions of service for VSF, and we approve them:

Flat Rate Monthly Service Charge

Residential	\$43.24
Commercial	\$43.24 x SFE ^a

Effluent Sales

Charge per 1,000 gallons	\$0.23
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Service Line Connection Charge

All	Cost
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Service Charges

Establishment	\$25.00
Reconnection (Delinquent)	Cost ^b

Deposit	Per Rule*
Deposit Interest (Annual Effective Rate)	3.50%
Reestablishment (within 12 months)	Per Rule**
Deferred Payment (per month)	1.50%
Late Payment Penalty (per month)***	1.50%
NSF Check	\$25.00
After Hours Service Charge (At the Customer's Request)	\$35.00

^a One SFE is defined as 10 fixtures (sinks and/or toilets and/or showers, etc.). The SFE for a commercial customer will be equal to the number of fixtures divided by 10. If the computed SFE is less than 1.0, the factor will be 1.0, which provides that a commercial customer pays no less than a residential customer.

^b Actual cost of physical disconnection and reconnection (if same customer) and there shall be no charge if there is no physical work performed.

* Per Commission Rule R14-2-603(B)(7) and R14-2-603(B)(3)

** Number of months off the system times the monthly minimum

*** Late Payment charge based upon balance owing at the end of the billing cycle which is added to next bill

15. It is just and reasonable and in the public interest to require VSF to make a filing in this docket notifying the Commission if the Golf Club in the future informs VSF that it is unwilling to pay the full \$0.23 per thousand gallon effluent rate approved herein. VSF will be required to make the filing within 14 days after receiving such notice from the Golf Club.

16. It is just and reasonable and in the public interest to require Staff to analyze any notice filing made by VSF as described in Findings of Fact No. 15 and to file a Staff Report setting forth Staff's analysis as to the best course of action to serve VSF, VSF's ratepayers, and the public interest and setting forth Staff's recommendations for a course of action to be taken by VSF and by the Commission.

17. It is just and reasonable and in the public interest to require VSF to include in its tariffs the language regarding using liens for collection that VSF and Staff agreed upon and provided in the Post-Hearing Filing made in this docket on May 9, 2014.

18. It is just and reasonable and in the public interest to require VSF to develop and file in this docket, within 90 days after the effective date of this Decision, a plan for the transfer of the plant leased from Pivotal during the TY, which plan shall be consistent with the plan recommended by Staff in the Staff filing of May 2, 2014, and set forth in the Discussion section herein.

19. VSF is in substantial compliance with ADEQ requirements.

20. VSF has no outstanding compliance issues with the Commission.

21. VSF has not been the subject of any complaints filed with the Commission during the period from January 1, 2011, to February 10, 2014.

22. VSF's system has adequate capacity to serve its present customer base and reasonable growth.

CONCLUSIONS OF LAW

1. VSF is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

2. The Commission has jurisdiction over VSF and the subject matter of the application.

3. Notice of the application and proceeding was provided in accordance with the law.

4. VSF's FVRB is \$421,336, and applying a 9.60 percent fair value rate of return to this FVRB produces a revenue requirement that is just and reasonable and in the public interest.

5. The rates and charges and terms and conditions of service approved herein are just and reasonable and in the public interest.

6. It is just and reasonable and in the public interest for the Commission to take the actions and impose the requirements described in Findings of Fact Nos. 14 through 18.

ORDER

IT IS THEREFORE ORDERED that Verde Santa Fe Wastewater Co., Inc. shall file with the Commission's Docket Control, as a compliance item in this docket, before August 1, 2014, revised rate schedules setting forth the following rates and charges:

Flat Rate Monthly Service Charge

Residential	\$43.24
Commercial	\$43.24 x SFE ^a

Effluent Sales

Charge per 1,000 gallons	\$0.23
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Service Line Connection Charge

All	Cost
-----	------

Service Charges

Establishment	\$25.00
Reconnection (Delinquent)	Cost ^b
Deposit	Per Rule*
Deposit Interest (Annual Effective Rate)	3.50%
Reestablishment (within 12 months)	Per Rule**
Deferred Payment (per month)	1.50%
Late Payment Penalty (per month)***	1.50%
NSF Check	\$25.00
After Hours Service Charge (At the Customer's Request)	\$35.00

^a One SFE is defined as 10 fixtures (sinks and/or toilets and/or showers, etc.). The SFE for a commercial customer will be equal to the number of fixtures divided by 10. If the computed SFE is less than 1.0, the factor will be 1.0, which provides that a commercial customer pays no less than a residential customer.

^b Actual cost of physical disconnection and reconnection (if same customer) and there shall be no charge if there is no physical work performed.

* Per Commission Rule R14-2-603(B)(7) and R14-2-603(B)(3)

** Number of months off the system times the monthly minimum

*** Late Payment charge based upon balance owing at the end of the billing cycle which is added to next bill

IT IS FURTHER ORDERED that the above rates and charges shall be effective for all wastewater utility service provided by Verde Santa Fe Wastewater Co., Inc. on and after August 1, 2014.

IT IS FURTHER ORDERED that Verde Santa Fe Wastewater Co., Inc. shall notify its customers of the rates and charges authorized herein and their effective date, in a form acceptable to the Commission's Utilities Division Staff, by means of an insert in its next regularly scheduled billing.

IT IS FURTHER ORDERED that Verde Santa Fe Wastewater Co., Inc. shall, within 90 days after the effective date of this Decision, as a compliance item in this docket, file a financing application designed to result in Verde Santa Fe Wastewater Co., Inc.'s obtaining ownership of the plant items, with an asserted original cost of \$250,000, that Verde Santa Fe Wastewater Co., Inc. has been leasing from Pivotal Utility Management. Specifically, Verde Santa Fe Wastewater Co., Inc. shall request Commission authorization to enter into long-term debt in the form of a note receivable issued by Pivotal Utility Management in an amount equal to the net book value of the plant and with

1 a term of 14 years and an interest rate of 5 percent. Verde Santa Fe Wastewater Co., Inc. shall
2 include with its financing application the source documents supporting the net book value of the
3 plant.

4 IT IS FURTHER ORDERED that the Commission's Utilities Division shall review the
5 financing application filed by Verde Santa Fe Wastewater Co., Inc., along with the supporting
6 documents, and shall make a filing in the docket upon completion of its review, providing Staff's
7 recommendations for Commission action on the application.

8 IT IS FURTHER ORDERED that Verde Santa Fe Wastewater Co., Inc. shall, within 14 days
9 after any future refusal of the Verde Santa Fe Golf Club to pay the tariff rate for effluent authorized
10 herein, make a filing in this docket notifying the Commission of the refusal and providing any
11 additional relevant information concerning the circumstances of the refusal.

12 IT IS FURTHER ORDERED that Staff shall perform an analysis of any notice filing made by
13 Verde Santa Fe Wastewater Co., Inc., as required by the immediately preceding ordering paragraph,
14 and shall file a Staff Report setting forth Staff's analysis of the best course of action to serve Verde
15 Santa Fe Wastewater Co., Inc., its ratepayers, and the public interest, along with Staff's
16 recommendations for a course of action to be taken by Verde Santa Fe Wastewater Co., Inc. and the
17 Commission.

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IT IS FURTHER ORDERED that Verde Santa Fe Wastewater Co., Inc. shall, within 30 days after the effective date of this Decision, provide its customers notice of its practice of using liens for collection of seriously delinquent accounts, by filing with the Commission's Docket Control revised tariff/s including the language agreed upon by the parties herein and set forth in the Discussion section of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____ 2014.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____
SH:ru

1 SERVICE LIST FOR:

VERDE SANTA FE WASTEWATER CO., INC.

2 DOCKET NO.:

SW-03437A-13-0292

3
4 Jay Shapiro
FENNEMORE CRAIG, P.C.
2394 E. Camelback Road, Suite 600
5 Phoenix, AZ 85016

6 Janice Alward, Chief Counsel
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